

monitor such monthly levels and require justification to substantiate any departure from an approved level. The Commission must disapprove the issuance of debt obligations if the issuance would impede the purposes of the financial plan or be inconsistent with the financial plan or the Act; debt limits would be exceeded; the ability of overlapping subdivisions to issue unvoted faith and credit debt obligations would be impaired; and their issuance would be likely to lead to the reallocation of minimum levies of other political subdivisions. Expenditures may not be made contrary to an approved financial plan. Expenditures may not be made contrary to a proposed financial plan after it is submitted to the Commission and before it is approved or disapproved; and if it is disapproved, no expenditures may be made which are inconsistent with the reasons given for disapproval.

The Act provides, among other requirements and provisions, that a municipality, county or township subject to such Act must develop an effective financial accounting and reporting system; budgets, appropriations and expenditures are to be consistent with the purposes of the financial plan; permits the issuance of Local Government Fund Notes, payable solely from such a municipal corporation's, county's or township's share of the local government fund pursuant to restrictions imposed by such Act; such a municipal corporation, county or township may include certain covenants in its debt obligations, including a state pledge not to repeal such Act; and permits the municipality to issue current revenue notes and advanced tax payment notes pursuant to the authorization and subject to the restrictions of such Act.

The County Auditor has reviewed applicable portions of the Act and has reviewed records pertaining to the County's circumstances with respect to the Act. The County Auditor, based upon her understanding of the Act, is of the opinion that, with respect to the County, no circumstances or conditions exist that will cause a fiscal emergency condition to be determined to exist under the Act.

THE SEWER DISTRICT

The Clermont County Sewer District (the "District") was created and established by resolution of the Board of County Commissioners of the County in 1950, pursuant to what is now Chapter 6117 of the Revised Code. The boundaries of the District are coterminous with those of the County.

After the District was created, various boards of county commissioners created four subsewer districts within the District, to wit: Pierce-Union-Batavia Subsewer District (the "P-U-B Subsewer District"), Miami-Goshen-Stonelick Subsewer District (the "M-G-S Subsewer District"), Felicity-Franklin Subsewer District, and Bethel-Tate Subsewer District. The District itself was never dissolved. From time to time the County acquired, constructed, and expanded sewer systems in all four subsewer districts, and acquired, constructed, and expanded waterworks systems in the P-U-B and M-G-S Subsewer Districts. The sewer and waterworks systems of P-U-B and M-G-S Subsewer Districts were financed primarily through the issuance of revenue bonds secured by a pledge of and lien upon the revenues of the respective subsewer districts.

On January 13, 1977, the Board of County Commissioners of the County by resolution determined to re-establish the District through the consolidation of all existing

subsewer districts in the County, and by resolution passed February 22, 1977, consolidated the 4 subsewer districts, effective March 1, 1977. The P-U-B, M-G-S, Felicity-Franklin and Bethel-Tate Subsewer Districts continue to exist as service areas within the District.

The County has issued various sewer system revenue bonds over the years to finance improvements to the sewer system and to refund existing debt of the system. See page 62 herein for a listing of the current outstanding sewer system debt.

All Revenues derived from the use of the Sewer System must be applied first to the payment of the cost of the management, operation and the maintenance of the Sewer System, second to the payment of the principal, interest, and premium, if any, on the Bonds (the Nonrefunded Bonds, the Series 2003 Bonds and any Additional Bonds issued on a parity therewith) and third to the enlargement, extension, or replacement of the Sewer System. The present schedule of rates and other charges for the use of the Sewer System, as detailed with regard to the Sewer System in Appendix G hereto, was established by resolution of the Board of County Commissioners on September 27, 2000, and became effective on October 1, 2000.

The County has issued various waterworks system revenue bonds over the years to finance improvements to the waterworks system and to refund existing debt of the system. See page 62 herein for a listing of the current outstanding waterworks system debt.

All Revenues derived from the use of the Waterworks System must be applied first to the payment of the cost of the management, operation and the maintenance of the Waterworks System, second to the payment of the principal, interest, and premium, if any, on the Bonds (the Series 2003 Bonds and any Additional Bonds issued on a parity therewith) and third to the enlargement, extension, or replacement of the Waterworks System. The present schedule of rates and other charges for the use of the Waterworks System, as detailed with regard to the Waterworks System in Appendix G hereto, was established by resolution of the Board of County Commissioners on September 27, 2000, and became effective on October 1, 2000.

Users of the Sewer System and the Waterworks System are billed on a bi-monthly basis. In addition to certifying unpaid charges to the County Auditor, the District collects seriously delinquent accounts in small claims court.

The rates established for the District are not subject to regulation by the Public Utilities Commission of Ohio or any other State or Federal regulatory agency.

As of January 1, 2004, the District had the following number of connections to the Waterworks and Sewer Systems, including commercial, multi-family, industrial, mobile home parks and schools:

<u>Sewer Customers</u>	<u>Waterworks Customers</u>	<u>Total District Customers</u>
32,703	36,867	40,463

The total number of customers of the Sewer System increased by 1,066 from January 1, 2003 to January 1, 2004. This change, from 31,637 to 32,703 customers, represents an increase of 3.4%. The total number of customers of the Waterworks System increased by 1,121 from January 1, 2003 to January 1, 2004. This change, from 35,746 to 36,867 customers, represents an increase of 3.1%.

The District currently operates ten sewage treatment plants and three water treatment plants.

For administrative purposes, the District is divided into three categories: 1) the Sewer System, 2) the Waterworks System, and 3) Combined Services which provides administrative and support functions to both systems. With regard to materials cost for 2003, Combined Services was supported 50% by the Sewer System and 50% by the Waterworks System.

Management

The control, operation and maintenance of the Sewer System are vested in the Board of County Commissioners. The present members of the Board of County Commissioners are set forth on page 2 herein.

The Clermont County Sewer System is administered by Thomas C. Yeager, Director of Utilities. Mr. Yeager, a native of Clermont County, has served in a number of capacities within the Waterworks System from June 1972 to September 1984 when he was promoted to Waterworks Superintendent. He served in that capacity until September 1995 when he was promoted to Operations Administrator. In April 2002, Mr. Yeager was promoted to his current position as Director of Utilities. Mr. Yeager studied mathematics and physics at Wilmington College and holds an OEPA Class 3 Water Treatment Operator License and a Class 1 Wastewater Treatment Operator License.

The Sanitary Engineer position is held by Lyle Bloom. Mr. Bloom is a graduate of the University of Cincinnati with a Bachelor of Science in Civil and Environmental Engineering. In April 2003, he obtained his Professional Engineer license. Mr. Bloom brought to the County 3 years of design engineering experience and served the District for another 3 years as a staff engineer. In November 2003 he was selected as the Sanitary Engineer.

Suzanne Scheetz has been providing financial support to the Sewer District since September 1994. She currently serves as the Controller of the County. She holds a Bachelor of Business Administration from the University of Cincinnati and came to the County with 10 years of financial analysis experience.

The above managerial employees are County employees, appointed by the Board of County Commissioners.

Method of Accounting

Sewer System records are maintained on a cash receipts and cash disbursements basis and comply with the requirements of the Bond Amended and Restated Indenture and resolutions of the Board of Commissioners. The audited annual financial statements are prepared on the accrual basis. Attached, as Appendix B, is the 2003 Annual Appropriation that includes the five Sewer District funds (Water Revenue, Sewer Revenue, Combined Services, Water Construction and Sewer Construction).

Employees and Payroll

The following is a listing as of December 31, 2003 of the number of employees and the 2003 payroll of the District:

	<u>Water*</u>	<u>Sewer</u>	<u>Combined</u>
Number of Employees	0	32	14.3
Payroll	\$0	\$377,706**	\$920,979

* See Page 4 for a discussion of water employees.

** Represents only September-December payroll.

All salaries and employee benefits, which consume the majority of the Combined Services budget, are allocated according to the estimated time devoted by employees to each system. The current allocation provides that 50% of office personnel expenses are paid from the Sewer System Revenue Fund and 50% from the Sewer System Revenue Fund.

All employees of the County are members of the Public Employees Retirement System (PERS) of the State of Ohio. Both the County and all employees contribute to PERS in accordance with schedules set forth in Chapter 145 of the Ohio Revised Code. Employees transitioned to contract operators in 2000 had the option of staying in the PERS system. Currently some of those employees are still enrolled in the system.

Rates

The rates and connection fees charged to users of the Sewer System are detailed in Appendix G hereto. The Board of County Commissioners authorized an 8.5% sewer rate decrease on September 27, 2000. The decreased sewer rates were effective as of October 1, 2000. The rates and connection fees charged to users of the Waterworks System are detailed in Appendix G hereto. The Board of County Commissioners authorized a 5% water rate decrease on September 27, 2000. The decreased water rates were effective as of October 1, 2000. The rates established for the District are not subject to regulation by the Public Utilities Commission of Ohio or any other State or Federal regulatory agency.

General Operations

The conduct and operation of the District are governed by Rules and Regulations prepared by the Sanitary Engineer and adopted by resolution of the Board of County

Commissioners. The original set of Rules and Regulations was adopted in 1956 and first codified in 1959. The Rules and Regulations were substantially revised and re-codified in 1973, and have been modified and amended several times since then.

THE SEWER SYSTEM

Operations

The Sewer System consists of ten wastewater treatment plants and 98 liftstations as of December 31, 2003.

Lower East Fork. The Lower East Fork Wastewater Treatment Plant went on line in December 1979 and was designed to provide advanced treatment. It is presently the largest plant in the System with a design flow of 9.0 MGD, treating approximately 46% of the total wastewater treated by the System. In constructing this plant, Ohio EPA encouraged and the County agreed to use certain innovative treatment technology. This technology did not perform as expected. After determining that the equipment was not achieving the desired results, the County hired an independent consultant to evaluate the plant. The County began to implement certain of the recommendations in the consultant's report, but the plant was not consistently in compliance. The County designed a substantial plan of improvements to the wastewater treatment plant and submitted them to the Ohio EPA on June 22, 1988. As required by the Consent Decree, the County began construction of the wastewater treatment plant improvements on June 1, 1990 and completed construction by March 1, 1992. In 2002, a \$4,500,000 expansion added a new final clarifier, additional tertiary filters and Ultraviolet disinfection to the processing, increasing the capacity to the current 9.0 MGD.

Middle East Fork. The County put a 1.2 MGD facility in place on this site in 1972 originally called the Amelia/Batavia plant. The plant was expanded in 1981 to 2.4 MGD. During the 1970's, the County had taken over the Village of Bethel's sewer system. The Bethel treatment plant was inadequate and so the County decided to close it and expand the Amelia/Batavia plant into the Middle East Fork Regional Wastewater Treatment Plant with a 3.6 MGD capacity. Construction of Phase I began in 1985. Phase I was designed to achieve secondary treatment. This plant went on line in December 1987 and is currently providing secondary treatment. Phase II will achieve advanced secondary treatment. The County designed a substantial plan of improvements to the wastewater treatment plant and submitted them to Ohio EPA on August 24, 1990 and received permit to install No. 90-213 for the improvements from Ohio EPA on September 30, 1990. Phase II improvements were completed in 1994. The plant is currently rated for 7.2 MGD capacity and handled 25% of the systems flow in 2003.

Nine Mile. The Nine Mile Wastewater Treatment plant has been expanded recently to a 3.0 MGD oxidation ditch processing plant. It is currently averaging a 98% pollutant removal rate.

O'Bannon. The O'Bannon oxidation ditch processing plant was expanded in 2001 to handle 4.4MGD capacity. It is currently averaging a 98% pollutant removal rate. In 2003, the O'Bannon plant handled 12% of the system flow.